

House Rural Revitalization Committee  
In Support of HB 2131  
Provided by Ashlee Bevan, Stafford County Economic Development

Thank you, Chairman Hineman, and members of the committee, for the opportunity to share my thoughts about HB 2131. My name is Ashlee Bevan and I represent Stafford County, population 4200, including St. John, population 1200.

When St. John lost its only grocery store in February 2016, local citizens knew that they had to develop a new store in order for the town to remain viable. Conventional wisdom might have been that starting a store under new ownership in the former grocery store building would be practical, but after professional analysis was performed it became very clear that a small store in that location would always struggle. What was needed is a store big enough to stock the range of products that modern consumers desire, so they are inclined to do their primary shopping locally. And in order to have that, we needed to build a new building. The challenge became how to finance it - projected cost was over \$3.8 million.

We received a \$100,000 donation, obtained land, and the local bank agreed to finance \$2.2 million on very favorable terms. This left \$1.5 million to raise in equity. We set about applying for grants and were successful in obtaining grants totaling just over \$1,000,000. An additional \$300,000 in private contributions was raised from local citizens, in a county that's not only rural, but low income. We were still \$200,000 short of the fundraising goal - incidentally an amount almost exactly equal to the sales tax on construction materials for this project.

The last thing standing in the way of making a commitment to this project was the ability to finance the final \$200,000 in construction costs. We either needed to raise more money – and after 1 ½ years of fundraising the sources were exhausted - or figure out how to reduce the cost of the project. We had already minimized as many aspects as we felt we could without undermining the nature of the project. The logical solution would be to eliminate the sales tax.

We approached the legislature last year to approve a sales tax exemption for this project specifically. Bills were introduced and heard in both the House and Senate. The bills did not pass.

With many citizens and funders committed to the project, we had to find a way, so we spent \$20,000 in legal fees to issue an Industrial Revenue Bond and set up a lease-leaseback arrangement with the city of St. John.

The project went forward, with construction underway throughout the summer and a grand opening on October 10th 2018

Because of this investment, sales tax collected each year is projected to be over \$360,000, the majority of which, over \$230,000, will be remitted to the state of Kansas. Furthermore, the state will collect payroll and income tax from the 33 full and part time jobs that have been created with payroll that it exceeds \$650,000 each year. The property tax is expected to be \$38,000 per year, which mostly stays local but is of significance especially because of the tax lid enacted by this State.

There are very few projects in rural Kansas that would have the range of support that our grocery store did. Aside from 12 different sources of finance, nearly 10% of the town's population had a direct role in it by serving on a committee, voting on a board, or contributing their own money. If not for the depth of the support, the project would not have gone forward.

How many other potential projects simply don't meet the threshold that investors determine is necessary for the construction to occur? Looking around many Kansas rural communities, *years* go by no new development in retail or manufacturing. Retail business is a tough proposition in rural areas to begin with, in there's only so much you can finance. The point is, the State is likely not losing revenue by enacting this provision because as it is there aren't many projects going forward that meet the definition of rural retail business.

Moreover not every project will have the sophistication or scope to justify hiring legal counsel to issue an Industrial Revenue Bond. Even though our project found a path to move forward, it added unnecessary cost and complexity.

Wouldn't it be reasonable to forego some sales tax at the beginning stage in order to capture investment and generate new revenues for the state? It takes all parts of the state to do well in order for the State of Kansas to thrive. This is a simple incentive to encourage rural areas to share in prosperity. I can attest to a concret example of how this will help investment occur that otherwise would not, and for that reason am a proponent of HB 2131.

